

1921

# Great unaudited

Anonymous

Follow this and additional works at: [https://egrove.olemiss.edu/dl\\_hs](https://egrove.olemiss.edu/dl_hs)



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

---

## Recommended Citation

Haskins & Sells Bulletin, Vol. 04, no. 02 (1921 February 15), p. 09-10

This Article is brought to you for free and open access by the Deloitte Collection at eGrove. It has been accepted for inclusion in Haskins and Sells Publications by an authorized administrator of eGrove. For more information, please contact [egrove@olemiss.edu](mailto:egrove@olemiss.edu).

NEW YORK  
CHICAGO  
PHILADELPHIA  
DETROIT  
CLEVELAND  
SAINT LOUIS  
BOSTON  
BALTIMORE  
PITTSBURGH  
LOS ANGELES  
SAN FRANCISCO  
BUFFALO  
CINCINNATI  
NEW ORLEANS

## HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

# BULLETIN

EXECUTIVE OFFICES  
HASKINS & SELLS BUILDING  
37 WEST 39TH ST., NEW YORK

KANSAS CITY  
SEATTLE  
PORTLAND  
DENVER  
ATLANTA  
DALLAS  
SALT LAKE CITY  
TULSA  
WATERTOWN

LONDON  
PARIS  
HAVANA  
SHANGHAI

VOL. IV

NEW YORK, FEBRUARY 15, 1921

No. 2

### The Great Unaudited

THE impression doubtless prevails that most business concerns avail themselves of the services of public accountants and have their accounts audited periodically. Banks are increasingly insistent in their demands for certified financial statements. Advertisements announcing flotations of securities more frequently than in the past carry with them the names of well-known firms of public accountants. There are many current signs which contribute to the impression.

But unfortunately the impression appears to be erroneous. If one may judge from a study of Moody's Manual of Railroads and Corporation Securities, Industrial Section, 1920, it is far from true. In this publication are listed the names of 3,711 concerns. Those which are shown as being audited by public accountants number 590. The other 3,121, or 84 per cent., are unaudited.

It is a fact that some which are audited are not so shown. But granting that the number now indicated as being audited might be increased by  $33\frac{1}{3}$  per cent., which is true in one case, the number still unaudited would be 2,924, or 78.79 per cent. of the total listed.

This of course is almost unbelievable to any one familiar with the growth and development of accountancy in the United

States. Theoretically, the period during which the professional accountant has functioned in this country covers about forty years. Practically, twenty-five years would perhaps be more exact.

Accountancy is reported to have flourished in Italy as early as 1742. It apparently did not gain much headway in Great Britain before 1850. In no country or time, probably, has professional accounting practice achieved the magnitude and importance and withal the rapidity of growth that have marked its progress in the United States. And behold what the statistics show.

The accountant of the past was a checker of figures. His concern was largely with their accuracy. He had chiefly to do with the auditing of figures which involved cash and fiduciary integrity. His imagination or knowledge seldom carried him beyond the elementary stages.

The accountant of to-day sees his task as a much larger one. The scope of his work is much broader and more comprehensive. Modern business has assumed not only large proportions but extreme complexity. Accounting has come to be regarded as an instrument of business control. The executive depends upon his financial statements for information and guidance. Costs as a basis for manufacturing and trading are regarded as

indispensable. Government control and supervision, particularly as exercised through the Bureau of Internal Revenue in relation to income and profits taxes, have allowed scarcely any business concern to neglect attention to accounting.

So the public accountant who is alive to the affairs of his day and time finds himself concerned with a great variety of engagements. These embrace periodical audits of all kinds of business organization, examinations of financial and kindred institutions as well as concerns where the substantiation of financial condition only is required, investigations into fiduciary integrity or some special phase of a concern's operations, activities, or relations,

preparation of tax returns or the accumulation of data for the prosecution of tax claims, consultations, devising and installing of accounting or of cost systems, preparation of budgets, making financial or accounting surveys and statistical studies, and giving court testimony.

Yet notwithstanding the growth and amplification which accountancy practice in this country has experienced, it appears that the surface has been scarcely more than scratched; that business concerns generally have failed to take advantage of a means which would contribute to a more scientific and successful conduct of their affairs. The class of the great unaudited bears witness to the fact.

---

### Reducing Production Costs

**C****O****S****T** figures serve a variety of purposes. Primarily, perhaps, they constitute a basis for determining what the selling price should be in order to yield a satisfactory profit. Incidentally, they furnish a measurement of effective operation and information which may lead to the checking of waste. Their greatest value probably consists in making past performance serve as a basis for future guidance.

Just now there is much talk of reducing costs. British industry finds it the chief problem, we are told. But there is no reason why it should be the chief problem of Great Britain more than any other country largely engaged in manufacturing.

Prices are high the world over. The great capital destroying event which began in August, 1914, may be indicted as the cause. It is inconceivable that the whole world should aid and abet, whether willingly or otherwise, the casting of billions of dollars worth of the world's resources into a seething caldron of destruction without the resulting rise of prices.

There were many fortunes made on the way up to the peak. Costs, less so than in

normal times, except as they became the basis for government contracts, were frequently ignored without damaging effect because free competition was put out of business by the abnormal conditions which prevailed. If ever the rule of "charge what the traffic will bear" enjoyed complete operation it was during the upward pull of February, 1920.

But the inevitable has occurred. The peak has apparently been passed. The camel's back has been broken. The long-suffering public has refused longer to be a party to the rampage of high prices. A buyer's strike has decreed that prices shall come down.

The first step has taken place. Manufacturers, wholesalers, and retailers have courageously taken their losses. The workers, either through force of conditions or voluntarily, are arranging to stand their share, and education of the workers in at least one instance is responsible for a sane view of that group which led the members thereof to suggest a reduction in wages.

But the end is not yet. Even though wholesale commodity prices have fallen